

Application: 15-09-001
(U 39 M)
Exhibit No.: (PG&E-41)
Date: September 23, 2016
Witness(es): David S. Thomason



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PACIFIC GAS AND ELECTRIC COMPANY

2017 GENERAL RATE CASE

**LATE FILED EXHIBIT ON TEST-YEAR AND POST TEST-YEAR
REVENUE REQUIREMENT**

EXHIBIT (PG&E-41)



**PACIFIC GAS AND ELECTRIC COMPANY
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LATE FILED EXHIBIT ON TEST-YEAR AND POST TEST-YEAR
REVENUE REQUIREMENT

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PACIFIC GAS AND ELECTRIC COMPANY
LATE FILED EXHIBIT ON TEST-YEAR AND POST TEST-YEAR
REVENUE REQUIREMENT

A. Introduction

This late-filed testimony is prepared pursuant to the instructions of Administrative Law Judge (ALJ) Stephen Roscow. Specifically, ALJ Roscow directed Pacific Gas and Electric Company (PG&E) to prepare “additional explanatory material” having to do with “the details of the test year revenue requirement...and the two post-test year revenue requirement amounts.”¹ This material consists of the two documents included as Attachments A and B to this testimony.

Attachment A provides additional detail to the table that had appeared as Appendix A of the multi-party settlement filed on August 3, 2016 (Settlement Agreement). Attachment B provides additional detail to the graphical representation of the test year (TY) and post-TY revenue requirements that was included in Exhibit (PG&E-39). These materials are further described below.

B. Attachment A

Attachment A provides additional detail concerning “Return, Taxes, Depreciation, and Amortization,” which appears on lines 7, 15, 23, and 31 of Appendix A to the Settlement Agreement. The additional detail appears on lines 8-11, 21-24, 34-37, and 47-50 of Attachment A.

C. Attachment B

Attachment B provides additional detail concerning the steps in the “walk” that appears on Exhibit (PG&E-39), p. 4, showing the effect of Federal Tax Repair changes on the 2017-2019 proposed revenue requirements. The additional detail provides a breakdown of expected tax repair benefits by functional area (i.e., gas distribution, electric distribution and electric generation). These benefits are calculated using estimated capital additions funding under the post-TY revenue requirement increases adopted in the Settlement Agreement, as set forth in Table 1, below. Attachment B also provides a

¹ Transcript Volume 12, 974:15-20.

breakdown of the “Other Changes” set forth in the walk by the following categories:

- Expense;
- Capital – depreciation, decommissioning and amortization;
- Capital – taxes: state and federal income, property; and
- Capital – return.

These too are calculated using the capital spending patterns shown in Table 1.

TABLE 1
PG&E CALCULATED 2018-2019 NET ADDITIONS
(MILLIONS OF DOLLARS)

Line No.		2017 (a)	2018 (b)	2019 (c)	2017-2019 Total (a+b+c)	2018 Change (b-a)	2019 Change (c-b)
1	Electric Distribution	\$1,558	\$1,435	\$1,400	\$4,394	\$(123)	\$(35)
2	Gas Distribution	964	900	881	2,745	(64)	(19)
3	Electric Generation	471	440	432	1,343	(31)	(9)
4	Total	\$2,994	\$2,775	\$2,712	\$8,481	\$(218)	\$(63)

To calculate estimated capital additions funding, PG&E started with expense escalation parameters, as shown in the August 30, 2016 settlement workshop presentation,² to estimate the expense component of the attrition increases at the total General Rate Case level for 2018 and 2019. PG&E then reduced its forecast of net additions on a pro-rata basis to match the total revenue requirement increases provided by the Settlement Agreement (\$444 million for 2018 and \$361 million for 2019). Because the allocation of the attrition increases between gas distribution, electric distribution and generation was determined separately in the Settlement Agreement, the effective expense escalation rates vary by functional area.

² Exhibit (PG&E-39), p. 2.

PACIFIC GAS AND ELECTRIC COMPANY
ATTACHMENT A
SUMMARY OF PROPOSED INCREASE OVER ADOPTED 2016
PG&E REBUTTAL AND SETTLEMENT

PACIFIC GAS AND ELECTRIC COMPANY
2017 GENERAL RATE CASE
RESULTS OF OPERATIONS
SUMMARY OF PROPOSED INCREASE OVER ADOPTED 2016
PG&E REBUTTAL & SETTLEMENT
(MILLIONS OF NOMINAL DOLLARS)

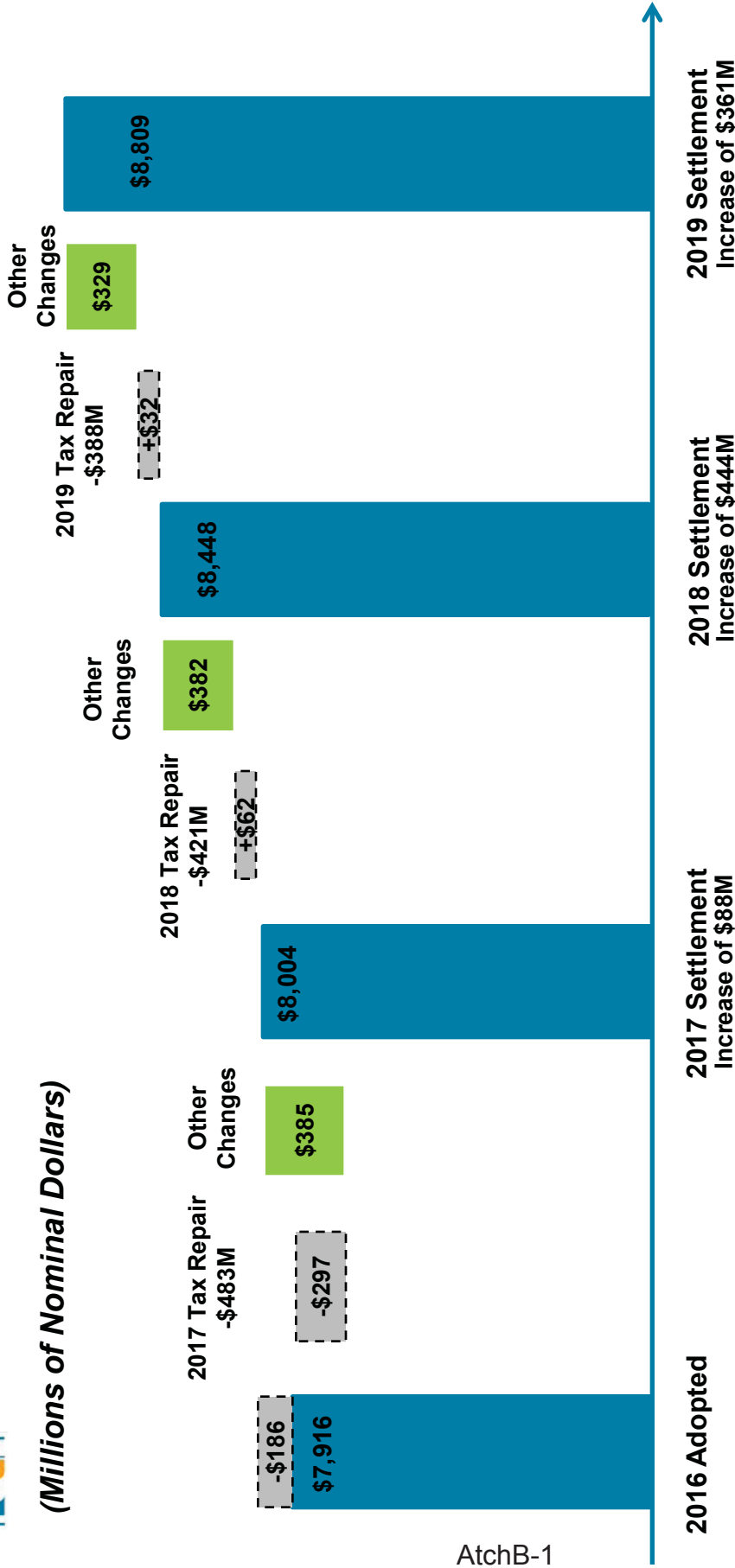
Line No.	Description	2016 Adopted (A)	2017 PG&E Proposed (B)	Difference (Proposed vs. Adopted) (C=B-A)	2017 Settlement (D)	2017 Difference (Settlement vs. Adopted) (E=D-A)	2017 Difference (Settlement vs. Proposed) (F=D-B)
1	A Electric Distribution						
	<u>Expense:</u>						
2	Operation and Maintenance	649	721	72	711	62	(10)
3	Customer Services	181	212	31	193	12	(19)
4	Administrative & General	472	407	(65)	382	(90)	(25)
5	Less: Revenue Credits (Other Operating Revenues (OOR) & Wheeling)	(88)	(118)	(30)	(118)	(30)	(0)
6	FF&U, Other Adjs, Taxes Other than Income	78	90	12	82	4	(8)
7	Subtotal Expense	1,292	1,313	20	1,250	(43)	(63)
	<u>Capital-Related:</u>						
8	Depreciation, Decommissioning and Amortization	1,279	1,435	156	1,364	86	(70)
9	Taxes: State and Federal Income, Property	641	658	18	651	11	(7)
10	Federal Tax Repair Benefit Net of Flowback	(103)	(246)	(143)	(230)	(127)	17
11	Return	1,104	1,120	16	1,115	11	(5)
12	Subtotal Capital-Related	2,920	2,966	46	2,901	(19)	(65)
13	Retail Revenue Requirement	4,213	4,279	67	4,151	(62)	(128)
14	B Gas Distribution Total						
	<u>Expense:</u>						
15	Operation and Maintenance	375	449	74	433	58	(16)
16	Customer Services	138	144	6	139	1	(5)
17	Administrative & General	260	276	16	259	(2)	(18)
18	Less: Revenue Credits (Other Operating Revenues (OOR) & Wheeling)	(25)	(18)	8	(28)	(3)	(10)
19	FF&U, Other Adjs, Taxes Other than Income	48	55	6	50	2	(4)
20	Subtotal Expense	797	906	110	853	56	(54)
	<u>Capital-Related:</u>						
21	Depreciation, Decommissioning and Amortization	442	484	42	480	38	(4)
22	Taxes: State and Federal Income, Property	195	211	16	208	13	(3)
23	Federal Tax Repair Benefit Net of Flowback	(47)	(223)	(176)	(219)	(172)	4
24	Return	355	422	67	417	62	(6)
25	Subtotal Capital-Related	945	894	(51)	886	(59)	(8)
26	Retail Revenue Requirement	1,742	1,801	59	1,738	(3)	(62)
27	C Electric Generation						
	<u>Expense:</u>						
28	Operation and Maintenance	640	655	15	650	10	(5)
29	Customer Services	-	5	5	2	2	(3)
30	Administrative & General	278	291	13	272	(6)	(19)
31	Less: Revenue Credits (Other Operating Revenues (OOR) & Wheeling)	(18)	(5)	13	(6)	12	(1)
32	FF&U, Other Adjs, Taxes Other than Income	(89)	39	128	37	126	(2)
33	Subtotal Expense	811	985	174	956	144	(29)
	<u>Capital-Related:</u>						
34	Depreciation, Decommissioning and Amortization	509	555	47	554	45	(2)
35	Taxes: State and Federal Income, Property	231	214	(17)	211	(20)	(3)
36	Federal Tax Repair Benefit Net of Flowback	(36)	(35)	1	(34)	1	0
37	Return	447	435	(11)	429	(18)	(7)
38	Subtotal Capital-Related	1,150	1,170	20	1,159	9	(11)
39	Retail Revenue Requirement	1,962	2,155	193	2,115	153	(40)
40	D Total GRC						
	<u>Expense:</u>						
41	Operation and Maintenance	1,664	1,825	161	1,794	131	(31)
42	Customer Services	319	361	42	334	15	(27)
43	Administrative & General	1,011	974	(36)	912	(99)	(62)
44	Less: Revenue Credits (Other Operating Revenues (OOR) & Wheeling)	(131)	(140)	(9)	(152)	(21)	(12)
45	FF&U, Other Adjs, Taxes Other than Income	38	184	146	170	132	(14)
46	Subtotal Expense	2,900	3,205	304	3,058	158	(146)
	<u>Capital-Related:</u>						
47	Depreciation, Decommissioning and Amortization	2,229	2,474	245	2,398	169	(76)
48	Taxes: State and Federal Income, Property	1,066	1,082	16	1,070	4	(13)
49	Federal Tax Repair Benefit Net of Flowback	(186)	(504)	(318)	(483)	(297)	21
50	Return	1,906	1,978	72	1,961	55	(17)
51	Subtotal Capital-Related	5,016	5,030	15	4,946	(70)	(84)
52	Retail Revenue Requirement	\$ 7,916	\$ 8,235	\$ 319	\$ 8,004	\$ 88	\$ (231)

PACIFIC GAS AND ELECTRIC COMPANY
ATTACHMENT B
2017 GRC REVENUE REQUIREMENT
FEDERAL TAX REPAIR NET CHANGES AND SUPPORTING
INFORMATION



2017 GRC Revenue Requirement – Federal Tax Repair Net Changes

(Millions of Nominal Dollars)



(PG&E-41)

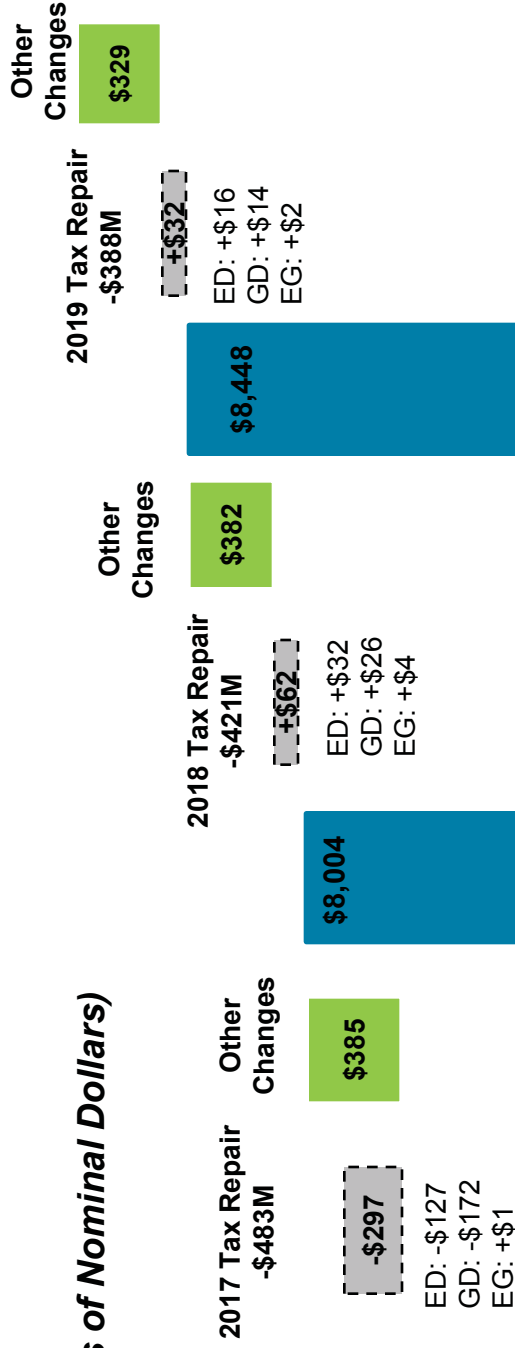
	2016 Adopted	2017	2018	2019
Federal Tax Repair Deduction, Net of Flow Back	\$ (298)	\$ (775)	\$ (675)	\$ (623)
Federal Tax Repair Deduction RRQ, net of Flow Back (62% of deduction)	\$ (186)	\$ (483)	\$ (421)	\$ (388)

- Other Changes include increases/decreases in O&M expense, A&G, capital expenditures and all other non-tax repair deduction related changes.
- Certain amounts shown here are slightly different than the numbers presented in the August 30, 2016 workshop due to rounding issues.



2017 GRC Revenue Requirement – Supporting Information

(Millions of Nominal Dollars)



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2016 Adopted	2017 Settlement Increase of \$88M	2018 Settlement Increase of \$444M	2019 Settlement Increase of \$361M
Other Changes	2017	2018	2019
Expense	\$ 158	\$ 86	\$ 84
Capital – Depreciation, Decommissioning and Amortization	\$ 169	\$ 123	\$ 116
Capital – Taxes: State and Federal Income, Property	\$ 3	\$ 89	\$ 52
Capital - Return	\$ 55	\$ 84	\$ 77
Total	\$ 385	\$ 382	\$ 329

(PG&E-41)

Certain amounts shown here are slightly different than the numbers presented in the August 30, 2016 workshop due to rounding issues.